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# The Relation of Thrift to Nation Building

By T. N. CARVER

Harvard University

THE problem of the efficient use of the laborer's time and working energy has not been without interest to business managers, and even to statesmen. To find easier and quicker ways of doing whatever the laborer has to do is to increase the national production and prosperity. All this is as true of every factor of production as it is of the laborer himself.

## DIRECTION OF PRODUCTIVE POWER

It is just as important that productive agents should be doing the right things as that they should be doing whatever they happen to be doing with the utmost speed and facility. To misdirect our productive power, causing it to produce things of little importance, is quite as great a loss, and quite as great a hindrance to our prosperity, as to allow it to do things in a wasteful and slipshod manner. To direct it wisely, so that it is always producing the things of greatest permanent value, is to increase and perpetuate our national prosperity.

Important as this problem is, it has not yet attracted much of the attention of business managers. They are generally more intent upon the volume of the output than upon the character of the things produced.

One of the most important things we can possibly do with our productive power is to make it add to itself, so that it may grow from year to year. This can only be done by setting a part of it at work producing producers' goods, instead of keeping it all at work producing consumers' goods. If very

little of it is directed toward the making of tools, machinery, buildings, fences, irrigation ditches, and other forms of productive equipment, our means of production will increase very slowly or not at all. If our means of production does not increase, our productive power cannot. If, however, a large enough share of our productive power is engaged in producing producers' goods, we shall, of course, find ourselves in possession of more producers' goods, larger and better equipment of all kinds, and that, consequently, our productive power is increasing from year to year, and from decade to decade. If, for example, 50 per cent of our productive power is engaged in making tools, machinery, and equipment, these things will obviously increase more rapidly than if only 10 per cent of our productive power is so engaged while 90 per cent is producing things for immediate consumption.

## PRODUCTION AND DEMAND

In the present state of civilization, with our money economy, men generally try to produce what people are willing to buy. If very few people are willing to buy tools, machinery, and equipment; or if very little money is spent for such things, very few will be produced. If much money is spent for such things, many will be produced. If half the money spent in the country were spent for tools, machinery, and equipment, approximately half of our productive power would be engaged in making such things. If only one tenth of the money is spent in purchasing

such things, not much if any more than one tenth of our productive power would be engaged in making them. It would be a very thrifty nation half of whose purchases consisted of instruments of production; it would be a rather thriftless nation one tenth of whose purchases consisted of such things. The former would advance rapidly in productive power, the latter slowly. The former would have much more to spend from year to year, the latter little, if any more.

It is, therefore, just as important that the people of this country spend their money wisely, as that they utilize their labor power efficiently. To throw money away, or dump it into the sea, is no great loss to the nation, however much of a loss it may be to the individual who owns the money. The material is lost, and that is all. When it is spent, however, instead of being thrown away, it virtually hires men to make the things for which it is spent. If it is spent wastefully, it virtually wastes the working energy of the men whom it hires. That wasting of man power is a much more serious thing than the mere loss of money.

#### THE NATURE OF THRIFT

There is a widespread fallacy to the effect that extravagance gives employment to labor. This fallacy is probably due to the opinion that thrift consists in hoarding money or hiding it away. This, however, is not thrift at all. To hide money away, and keep it out of use, is a very thriftless thing to do. The thrifty person is not a miser. He is one who spends money just as freely as the extravagant man, but he spends it wisely instead of unwisely. He spends it for durable things, instead of for transient things. He spends it for things which increase his

strength, physically, mentally, morally or financially, instead of for things which add nothing to his strength in any way.

When we realize that thrift consists in spending money wisely, instead of unwisely, we shall very easily see that the thrifty man spends exactly as much money as the thriftless man, provided he has as much money to spend. Moreover, in the long run, the thrifty man will spend more, because he will have more to spend than the thriftless man; and the thrifty community will be a community in which more money is spent than in the thriftless community. If anyone doubts this statement, let him ponder the following illustration.

Let us suppose that there are two communities which we will call Thrift Town and Spendthrift Town, and that these two communities start even, that is, that they have equal numbers, equal resources, and equal prosperity at the beginning of the comparison. Let us suppose that in each community there is, this year, a total income of \$1,000,000. This \$1,000,000 represents all that the community produces, and consequently all that it has to spend. Thrift Town finds that it can live comfortably and efficiently on nine tenths of its income, that is \$900,000, and decides to spend \$100,000 for permanent improvements,—improvements that will add to its productive power next year and the year after. Spendthrift Town, however, decides to spend its whole \$1,000,000 on consumers' goods. It will be noticed that the same amount of money is spent in both towns. The difference is solely in the class of things for which the money is spent. Spendthrift Town spends \$1,000,000 for consumers' goods. Thrift Town spends \$900,000 for con-

sumers' goods, and \$100,000 for buildings, machinery, tools and live stock,—a total of \$1,000,000 spent for goods. Next year, however, Thrift Town will produce more than Spendthrift Town. That is, Spendthrift Town will have its \$1,000,000 worth of product,—its people will have \$1,000,000 to spend. The buildings, tools, machinery, live stock, etc., which Thrift Town added to its equipment will add to its productive power and to the income of its people during this year. If this \$100,000 produces an average of 5 per cent on the investment, the total income of Thrift Town during the second year will be \$1,005,000. There will be \$5,000 more spent during the second year in Thrift Town than in Spendthrift Town.

If Thrift Town continues living on nine tenths of its income, spending the other tenth for permanent equipment during the third year, there will be a still greater difference in the amount spent in the two towns. Thrift Town will have a little over \$1,010,000, whereas Spendthrift Town will still have its \$1,000,000 to spend, and so on, year after year, the difference will grow greater and greater. It will not be so very many years under this policy before the young men and women from Spendthrift Town will be leaving that town and emigrating to Thrift Town, because business is more active and there is more employment at better wages.

If the figures for Thrift Town and Spendthrift Town are too large for us to grasp easily, we can simplify the problem by taking two individuals, A and B. Assume that they have equal incomes at the beginning, but A is thrifty and B is thriftless. Let us suppose that this year they have incomes of \$2,000 each. A finds that he can live comfortably and efficiently

on \$1,800 and that he can invest \$200 in some productive enterprise. If he is a farmer, he can buy an additional cow or horse, or some improved tools and machinery. If he is a business man, he can add somewhat to his stock or equipment. If he is a salaried man, he can deposit his \$200 in a savings bank and receive 4 per cent on it.

The savings bank, however, cannot pay interest on this money unless it uses the money or lends it to somebody who can use it. Suppose it lends \$200 to a farmer or a business man who buys additional equipment with it. In this case that \$200 is spent just as truly as it would have been if A had spent it directly for luxuries. There are only two differences. In the first place, he spends it indirectly through the bank instead of directly. In the second place he spends it for producers' goods instead of for consumers' goods. In either case, next year A will have not only his \$2,000 salary, but \$8.00 interest on his investment, making a total of \$2,008 to spend, whereas B will have only his \$2,000 to spend, and so on. The difference grows greater every year. A will have more and more money to spend every year. He will do more for business and give more employment to labor than B will give.

This difference becomes enormous if we multiply the A's and B's by a hundred million. In other words, if our total population is made up of men like A, there will be a vast increase year by year in the amount of money we have to spend. But if our total population is like B, there will be no such increase in the amount of money we have to spend. Business will not expand; there will not be additional employment, calling for more and more men. It is for the average citizen to decide which kind of a nation this is to

be; that is, whether it is to be a nation of A's or a nation of B's,—whether our nation is to be an enlargement of Thrift Town or an enlargement of Spendthrift Town.

If, however, the thrifty man were sly and unprincipled as well as thrifty, he might, consistently with his slyness and lack of principle, discourage thrift. Being thrifty himself, he is not buying consumers' goods but investing in means of production with which to supply the demands of others for consumers' goods. The fewer there are doing as he is doing, the fewer competitors he will have. The more there are who spend all their money for consumers' goods, the more immediate customers he would have. Therefore, he might very consistently, though short-sightedly, argue as follows:

"There is already capital enough in the country (at least there is as much as I want to compete with my capital in my business), what we need is more consumers. If all the people of the United States should suddenly resolve to follow the course you have marked out and should carry out their purpose, the results would be disastrous in the extreme. What is left of the liquor business would be wiped out. The manufacture and the sale of all forms of tobacco would cease. The same fate would befall a multitude of other lines of business producing or dealing in luxuries or non-essentials of various kinds.

"As a consequence of these first effects many others would follow in their train. A situation somewhat like that which now prevails in this country by reason of the cancellation of government orders and contracts and the demobilization of the army,—only many times as serious,—would speedily develop. Merchants would

go into bankruptcy by the thousands, manufacturing plants would close and millions of employes would be thrown out of employment. Of course, it would be possible to support the unemployed by taxing the rest of the community or by sale of bonds, using the proceeds as a temporary unemployment insurance fund. This would be a more or less demoralizing process, however, and the waste of it would be appalling.

"In the course of time, factories and stores could be adjusted to other lines of production or use, though the waste of specialized construction and equipment would be enormous. During a considerable part of the transition period, all the savings effected by the changed habits of the people would be consumed in supporting an idle population and in making necessary changes in the production instruments. Even when these physical changes had been made and opportunities for employment had been provided, it would take a long time to train the workers to their new jobs, if, indeed, many of them had not through idleness and dependency become unemployable. In any case, there would be a tremendous loss in the way of acquired skill rendered useless by the changes in the habits of consumers."

All this, however, would be obviously nonsensical because, as we have already seen, thrift consists in buying wisely rather than unwisely, and wise buying enables the people to spend more money than unwise buying. To buy something that does you no real good, does not put any more money into your pocket next month, next year, or the next generation. To buy something that is of permanent benefit, will give you or your children more money to spend in the future and you

will spend quite as much now as you could possibly spend if you bought foolishly. He who spends a dollar wisely does just as much for the labor and the business of the present moment as he who spends a dollar wastefully. Next year, however, the man who spent his money wisely this year, will have more dollars to spend, on the average, than the man who spent his money wastefully. Therefore, the wise spender will do more next year for business than the wasteful spender and quite as much this year.

The thrifty man is, in the long run, the man who buys and buys largely.

The thriftless man is the man who never buys very much, because he never has very much money with which to buy. The way to insure large buying, on an increasing scale from year to year, a steady expansion of business, and a continued increase of employment, is to get behind the thrift campaign.

Remember that thrift consists in buying, but in buying wisely. Urge every one, if you please, to buy and to buy now, but **URGE HIM TO BUY THINGS THAT WILL GIVE HIM MORE BUYING POWER NEXT YEAR AND EVERY YEAR.**